

## **DEBT SERVICE FUND**

## **REVENUES/EXPENDITURES**

The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.



**DEBT SERVICE FUND****REVENUES/EXPENDITURES**

<b>Category</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Forecast</b>	<b>FY 2005 Budget</b>	<b>FY 2006 Adopted</b>
<b>REVENUES</b>				
Current Property Taxes	63,270,602	67,908,247	67,908,247	66,548,147
Delinquent Property Taxes	3,702,064	2,150,654	2,150,654	2,150,654
In Lieu Of Taxes-Contractual	1,204,166	3,785,883	1,075,327	1,100,000
Hotel/Motel Tax	393,323	395,099	395,099	395,799
Use of Money	498,145	100,000	1,000,000	500,000
<b>Intergovernmental Revenues</b>				
Memphis Shelby County Airport Authority	3,546,880	3,740,042	3,740,042	3,869,855
Memphis Shelby County Port Commission	473,482	328,794	450,000	345,216
<b>Other</b>	<b>8,649,543</b>	<b>2,782,418</b>	<b>3,225,767</b>	<b>3,088,802</b>
<b>TOTAL REVENUES</b>	<b>81,738,204</b>	<b>81,191,137</b>	<b>79,945,137</b>	<b>77,998,473</b>
<b>OTHER SOURCES</b>				
Transfer in General Fund	2,719,404	1,020,250	3,012,231	4,312,797
Municipal State Aid Fund	1,704,337	5,304,577	5,437,146	5,541,703
Transfer in Golf	287,754	287,382	287,382	291,622
Transfer in Stadium	438,750	337,233	337,233	335,969
Solid Waste Management Fund	1,390,747	0	1,390,747	1,390,747
Hotel/Motel Fund	1,063,063	1,027,313	1,027,313	1,015,875
Operating transfers in components units:				
Board of Education	6,313,690	6,324,793	6,324,793	6,337,918
Proceeds Refunding Bonds	36,444,171	0	0	0
<b>Total Other Sources</b>	<b>50,361,916</b>	<b>14,301,548</b>	<b>17,816,845</b>	<b>19,226,630</b>
<b>TOTAL REVENUES/ OTHER SOURCES</b>	<b>132,100,120</b>	<b>95,492,685</b>	<b>97,761,982</b>	<b>97,225,103</b>



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Category	FY 2004 Actual	FY 2005 Forecast	FY 2005 Budget	FY 2006 Adopted
<b>EXPENDITURES</b>				
Redemption of serial bonds and notes	50,589,558	57,573,945	57,573,945	54,235,146
Interest	40,287,178	42,252,248	42,252,248	41,854,243
Other	434,802	350,000	350,000	350,000
Operating Transfer Out (CIP)	3,018,382	39,246	0	0
Retirement of Refunded Debt	36,343,112	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>130,673,033</b>	<b>100,215,439</b>	<b>100,176,193</b>	<b>96,439,389</b>
<b>OTHER USES</b>				
Health Department	785,714	785,714	785,714	785,714
<b>TOTAL EXPENDITURES/ OTHER USES</b>	<b>131,458,747</b>	<b>101,001,153</b>	<b>100,961,907</b>	<b>97,225,103</b>
Contribution(Use) of Fund Balance	641,373	(5,508,469)	(3,199,925)	0
<b>Fund balance beginning of year</b>	<b>13,276,918</b>	<b>13,918,290</b>	<b>12,246,813</b>	<b>8,409,821</b>
<b>Fund balance end of year</b>	<b>13,918,290</b>	<b>8,409,821</b>	<b>9,046,888</b>	<b>8,409,822</b>



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## REVENUES/EXPENDITURES

### DEBT SERVICE

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City's operating divisions or outside agencies funded by the City. Outside agencies that receive major capital funding from the City include the Memphis and Shelby County Public Library System, Memphis City Schools and Memphis Area Transit Authority.

General obligation bond proceeds are disbursed on a "first-in/first-out" basis. Capital expenditures are assigned to the oldest bond issue at the time of actual cash disbursement. The City reconciles internal accounting records monthly to insure that activity in the CIP cash account and actual cash disbursement balance at month-end.

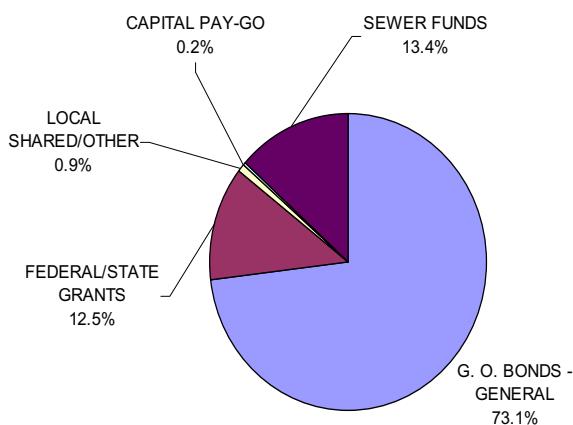
Expenditures are not charged against a specific bond issue until the actual cash is disbursed. This methodology was developed to satisfy certain provisions of the Tax Reform Act of 1986 which require all bond proceeds to be spent within three years of original issuance. This methodology also allows the City to take advantage of the two-year spend-down rule which allows municipalities to keep any excess arbitrage earnings, if such requirements are met.

In April 2001, the City entered into agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects and to pay the principal of maturing Commercial Paper. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuances. The City has entered a line of credit agreement, which expires on April 2, 2009, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets and the City's Capital Improvement Projects Fund, based on the City's ability to refinance the debt under the line of credit agreement. The amount outstanding under this program is \$50,000. The City will submit a resolution to the City Council for authorization to issue General Obligations for FY 2006.

The following graphs show the breakdown of the Fiscal Year 2006 CIP expenditure budget by division or agencies funded and the anticipated revenue sources to fund the capital improvement projects planned for the period.

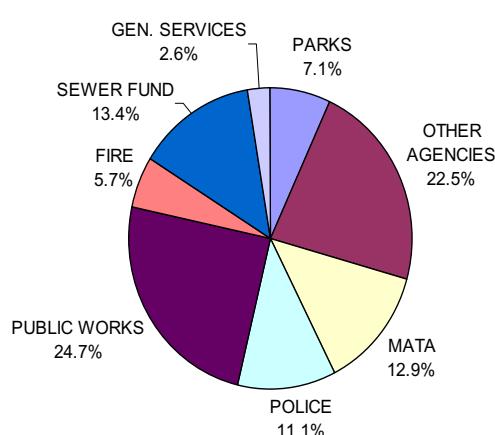
C.I.P. FUNDING SOURCES

\$200,174,000



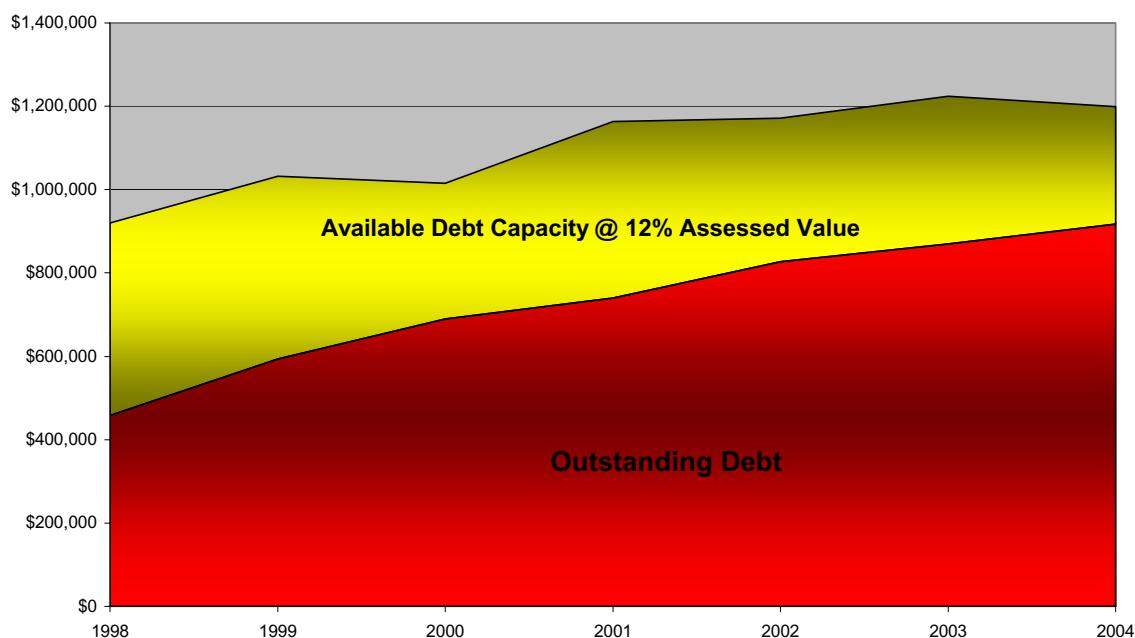
C.I.P. EXPENDITURES

\$200,174,000



It has been the City's past practice to issue general obligation bonds on an annual basis to support ongoing and new capital projects initiated by the City. In relationship to the City's Debt Affordability Targets that are outlined in the City's Debt Policy, the City shall conduct its finances so that the amount of general obligation ("GO") debt outstanding does not exceed 12% of the City's taxable assessed valuation. The chart below demonstrates the debt capacity.

**Debt Capacity Based on City Debt Policy  
(In Millions)**



	1998	1999	2000	2001	2002	2003	2004
Total Net Debt Outstanding	\$458,419	\$593,193	\$689,377	\$739,912	\$827,549	\$869,400	\$917,384
Excess Debt Capacity	462,170	438,785	325,356	423,818	344,239	354,709	281,641
Maximum Debt @ 12% - City Policy	920,589	1,031,978	1,014,733	1,163,730	1,171,788	1,224,109	1,199,025



# DEBT SERVICE FUND

# REVENUES/EXPENDITURES

**RATIO OF GENERAL BONDED DEBT TO APPRAISED AND  
ASSESSED VALUES AND BONDED DEBT PER CAPITA  
Last Five Fiscal Years**

	For the Fiscal Years Ended June 30				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Estimated Population	665,656	677,382	650,100	650,100	643,715
Appraised Property Valuation (3)	\$ 31,801,586	32,265,194	30,569,738	30,475,303	26,565,060
Assessed Valuation (3)	\$ 9,992,954	10,200,919	9,764,897	9,697,751	8,456,108
Total General Obligation Debt (1) (3)	\$ 947,040	903,659	866,148	782,920	736,739
Self-Supporting Debt (2) (3)	<u>\$ 29,656</u>	<u>34,259</u>	<u>38,599</u>	<u>43,008</u>	<u>47,362</u>
Net Debt (3)	\$ 917,384	869,400	827,549	739,912	689,377
Bonded Debt Per Capita - Total Debt	1,398	1,334	1,332	1,204	1,145
Bonded Debt Per Capita - Net Debt	1,354	1,283	1,273	1,138	1,071
Bonded Debt to Appraised Valuation - Total Debt	2.98%	2.80%	2.83%	2.57%	2.77%
Bonded Debt to Appraised Valuation - Net Debt	2.88%	2.69%	2.71%	2.43%	2.60%
Bonded Debt to Assessed Valuation - Total Debt	9.48%	8.86%	8.87%	8.07%	8.71%
Bonded Debt to Assessed Valuation - Net Debt	9.18%	8.52%	8.47%	7.63%	8.15%

(1) Debt includes City general obligation bonds, state loans, commercial paper, variable and leases.

(2) The self-supporting debt includes Airport Bonds, State Loans Convention Center and Port Commission.

(3) In thousands of dollars.

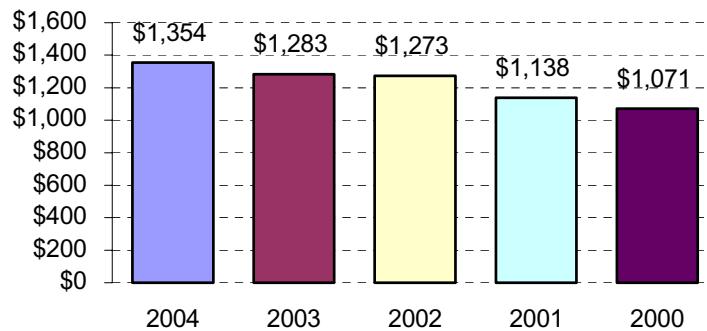


## DEBT SERVICE FUND

## REVENUES/EXPENDITURES

Bonded debt per capita on a net debt basis has increased over the last five years. From 2000 through 2004, the City's net debt per capita has averaged approximately \$1,223 per person.

### Debt Per Capita Net Debt

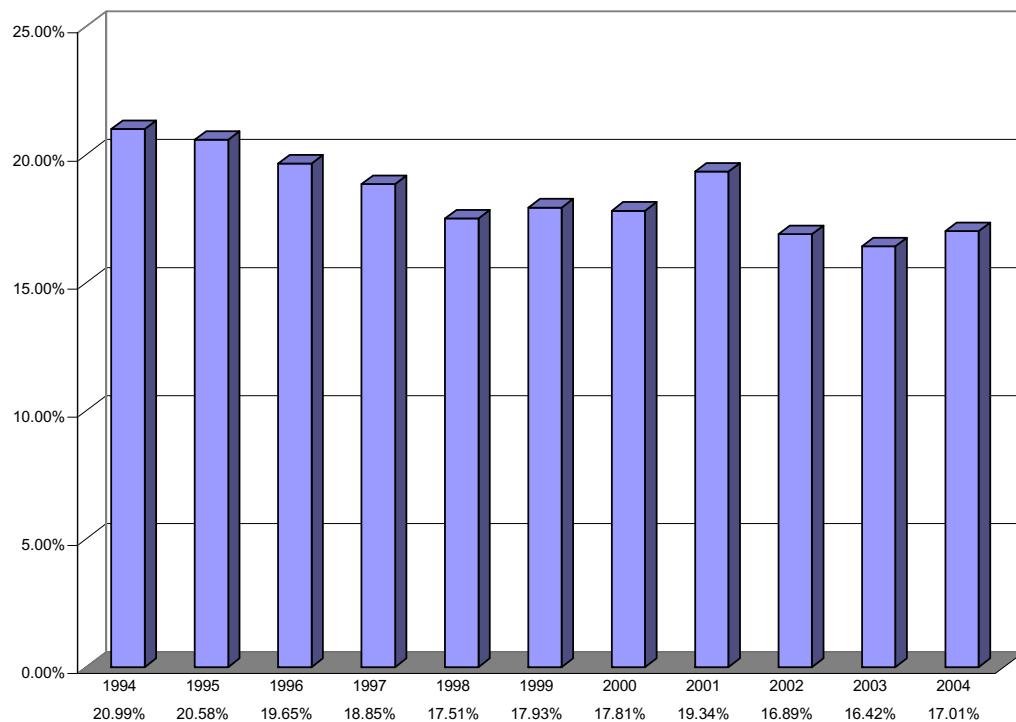
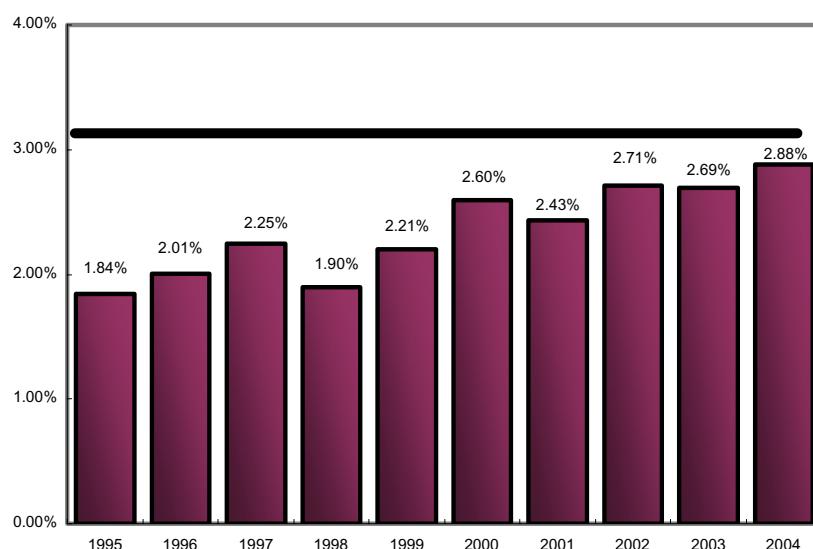


The ratio of annual debt service to general expenditures has averaged approximately 18% over the last ten years.

### RATIO OF ANNUAL DEBT SERVICE TO GENERAL EXPENDITURES Last Ten Fiscal Years (In Thousands of Dollars)

Fiscal Year	General Obligation Debt Service			Total General Fund Expenditures	Ratio of Debt Service to General Expenditures (%)
	Principal	Interest	Total		
1995	42,275	23,338	65,613	318,848	20.58%
1996	43,871	20,668	64,539	328,427	19.65%
1997	45,252	22,002	67,254	356,832	18.85%
1998	43,119	24,700	67,819	387,384	17.51%
1999	46,541	28,098	74,639	416,246	17.93%
2000	45,634	31,605	77,239	433,573	17.81%
2001	47,528	39,179	86,707	448,398	19.34%
2002	45,292	33,847	79,139	468,640	16.89%
2003	43,341	37,258	80,599	490,999	16.42%
2004	50,590	40,287	90,877	534,241	17.01%



**Debt Service % General Fund Expenditures****Net Debt % Appraisal Value**

**DEBT SERVICE FUND****REVENUES/EXPENDITURES****City of Memphis****General Obligation Debt Service - As of: Fiscal Year 2005****By Issue; By Fiscal Year****Principal Only**

<b>Description</b>		<b>Issue Size</b>	<b>Total Principal Outstanding</b>	<b>Final Maturity</b>
Refunding-Gen Imp	May-92	43.825	6,535,000.00	9/1/2007
Refunding-Gen Imp	Dec-93A	48.996	6,401,257.70	8/1/2012
Refunding-Gen Imp	Aug-95 A	10.900	2,600,000.00	8/1/2005
Refunding-Gen Imp	Aug-95 A	8.700	8,700,000.00	8/1/2008
Refunding-Gen Imp	Aug-95 B	7.900	6,500,000.00	8/1/2008
Refunding-Gen Imp	Aug-96	50.130	34,880,000.00	11/1/2014
Refunding-Gen Imp	May-97	11.055	7,490,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.290	13,415,000.00	7/1/2012
Gen Imp	Jul-98	89.190	49,675,000.00	10/1/2019
Refunding-Gen Imp	Sep-98	81.045	47,210,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.290	42,205,000.00	10/1/2013
Gen-Imp	May-99	70.000	62,405,000.00	10/1/2020
Gen Imp	Apr-00	140.000	121,355,000.00	4/1/2020
Lease-2001- Public Works	Feb-01	1.880	786,465.02	10/1/2006
Lease-Fire	Sep-01	0.669	272,451.96	9/1/2006
Lease-Public Works	Jul-01	4.350	2,690,487.03	7/1/2007
Commercial Paper (150 M)	Sep-02	150.000	25,000,000.00	6/30/2005
Commercial Paper (150 M)	Jan-05	25.000	25,000,000.00	6/30/2005
Refunding - Gen Imp	Nov-01	92.985	88,705,000.00	11/1/2017
Gen Imp	Jun-02	170.000	164,855,000.00	11/1/2023
Refunding- Gen Imp	Aug-02	24.040	18,965,000.00	8/1/2008
Gen Imp	May-03	96.940	93,365,000.00	5/1/2022
Refunding - Gen Imp	Feb-04	34.160	34,160,000.00	10/1/2018
Gen Imp	Nov-04	125.000	125,000,000.00	10/1/2023
<b>Total GO Bonded Debt</b>			<b>988,170,661.71</b>	
<b>State Loans - Sewer</b>			<b>1,108,029.00</b>	
<b>Total Bonded Debt</b>			<b>989,278,690.71</b>	



# DEBT SERVICE FUND

# REVENUES/EXPENDITURES

**City of Memphis  
Summary of Refundings Since 1992**

Closing Date	Series Number	Type of Bonds	Original Bond Size (\$)	Lead Underwriter	PV Savings	Percent %
04/28/89	1993	Sanitary Sewerage System Rev. & Refg.	21,755,000	Morgan Keegan & Company	(See Note 1)	
08/31/89	1993	General Improvement Refunding	24,455,000	First Chicago Capital Market	781,807	8.4
08/31/89	1993A	Sanitary Sewerage System Rev. Refg.	14,805,000	Morgan Keegan & Company	672,866	4.9
12/15/89	1993A	General Improvement Refunding	42,595,000	Bear, Stearns & Co.	2,656,958	6.1
12/15/89	1993A	General Improvement Refunding	6,401,258	Bear, Stearns & Co.		
08/20/92	1996	General Improvement Refunding	50,130,000	Lehman Brothers	1,682,807	3.5
05/05/93	1997	General Improvement Refunding	11,055,000	Morgan Keegan & Company	671,408	6.1
08/15/93	1995A	General Improvement Refunding	26,200,000	J.P. Morgan Securities, Inc.	(See Note 2)	
08/15/93	1995B	General Improvement Refunding	13,500,000	J.P. Morgan Securities, Inc.		
04/01/94	1998	General Improvement Refunding	19,290,000	Morgan Keegan & Company	1,179,990	6.3
09/01/98	1998A	General Improvement Refunding	81,045,000	Morgan Keegan & Company	1,805,328	2.3*
01/01/99	1999	General Improvement Refunding	42,290,000	Morgan Keegan & Chapman	1,539,457	3.7
01/30/01	2001	Sanitary Sewerage System Refunding	20,795,000	Morgan Keegan & Company	890,935	4.3
11/01/01	2001	General Improvement Refunding	92,985,000	First Tennessee Capital Markets	3,629,994	3.6
08/15/02	2002	General Improvement Refunding	24,040,000	Morgan Keegan & Company	1,211,273	5.1
08/15/02	2002	Sanitary Sewerage System Rev. Refg.	22,805,000	Harcvestons Securities, Inc	921,630.00	4.2
02/19/04	2004	General Improvement Refunding	34,160,000	Morgan Keegan & Company	1,573,310	4.6
03/15/05	2005	General Improvement Refunding	166,880,000	Morgan Keegan & Company	7,832,566	3.8
<b>Total Par Amount of Refundings</b>			\$715,186,258			
<b>Total Number of Refundings Since 1992</b>			18			

**Note 1** - The savings did not meet the City's goal of 5%, therefore withdrew bonds from financing.

**Note 2** - Savings will be realized from a reduction in both credit facility & remarketing fees of approximately \$1.1 Million over the life of the loan.

\* = 2.3% instead of anticipated 3.7%(FAM) due to combined refunding & shifting of bonds for new maturity dates which resulted in less than expected savings.

Source: Financial Advisory Memo (FAM)

